DEPARTMENT OF HEALTH

MC0322

ESTATECODE

GUIDANCE
ON THE

ESTATE OPERATIONAL PLAN

DEPARTMENT OF HEALTH

ESTATECODE

ESTATE OPERATIONAL PLAN

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DEPARTMENT OF HEALTH

Advisory Group on Estate Management

Part of
ESTATECODE
Level 3

Guidance on the

ESTATE OPERATIONAL PLAN

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This Guidance is issued by the Advisory Group on Estate Management. Any enquiries on it should be made to the AGEM Secretariat, Estate and Property Management Directorate, Euston Tower, 286 Euston Road, London NW1 3DN

FEBRUARY 1989

1. *General*

1.1 Health Authorities were asked in HC(86)13 to take a systematic approach to their estate management. The Annex to that Circular outlined seven stages of estate management *(see Appendix 2)*. This document provides general guidance to support Stage 7 — the Estate Operational Plan.

1.2 The Estate Investment Programme (EIP) and the Estate Control Plan (ECP) at Stages 5 and 6 provide an agreed estate strategy for each District and site reflecting the healthcare facilities envisaged in the Strategic Plan. The Estate Operational Plan (EOP) is concerned with the day-to-day management of the physical assets within the framework identified by the ECP. Unlike Stages 3 to 5 which concentrate on the rationalisation of the estate, Stage 7 is concerned with implementation of the Estate Control Plan and asset management. The EOP will also include those on-going activities which are required to sustain the estate in an acceptable condition.

1.3 Authorities over the last ten years have been provided with essential guidance on maintenance and operations. However, these aspects of estate management lacked a structure closely linking them to the overall Strategic Plan. This has led in many instances to budgets and activities being unrelated to the healthcare strategy. The ECP provides that important link.

1.4 Each major scheme necessary for the estate to play its full role in supporting healthcare will be identified in the EIP and ECP over the strategic planning period. Each scheme, within the EOP, will be divided into its various stages. This elemental approach will allow the detailed monitoring and project management necessary to ensure cost effective implementation of the ECP, within the resources envisaged in the EIP.

1.5 Detailed guidance will be published by the Advisory Group on Estate Management (AGEM) to support the EOP. This will include all aspects of asset management with special reference to model contracts and guidance on maintenance strategy, utilisation, budgeting and costing. The Works Information and Management System (WIMS) is available to Authorities and provides a suitable vehicle for the collection and dissemination of the data generated at this stage.

2. *Scope of Stage 7*

2.1 The estate rationalisation process is continuous and as such is never complete. The estate must continually adapt to meet the changing needs of healthcare provisions. The previous six stages

have primarily been concerned with the estate strategies required to fulfil the service planning needs. In essence, those strategies were to ensure that the land and property holdings, together with their condition and utilisation, match present needs and future healthcare requirements.

2.2 The Estate Operational Plan puts these aspirations into practice and extends the concepts to the more detailed operational level, taking into account the following:

i compilation of the asset register

ii analysis of asset function, utilisation, condition and cost

iii identification of possible operational plans

iv selection of an approved operational plan

v implementation of the operational plan

vi feedback.

2.3 Effectively, Stage 7 is on-going and runs in parallel with all the other stages. It derives from the Estate Investment Programme (*Stage 5*) and Estate Control Plan (*Stage 6*), but feeds back into all stages. Hence, Stage 7 closes the loop and provides information with which to monitor the success of the estate management strategies embodied in Stages 5 and 6.

3. *Content*

3.1 This section outlines the content and use of the EOP. A plan will be prepared for each site and will cover a complete financial year. For large sites, sub-plans by blocks or groups of blocks may be necessary to make the process manageable. A firm plan will be devised for the current year. For each of the two succeeding years outline plans are formulated on the assumption that the work envisaged in the first will be accomplished. Tentative plans should be prepared for the remainder of the planning period.

3.2 Towards the end of the first year, the second year plan is revised in the light of progress in realising the current year's firm plan and becomes itself a firm plan. In the process the plan can be amended for any shortfall, or over-provision in the first year. Both firm and outline EOP's will be influenced by any changes which may have been made in the meantime to the Authority's Strategic Plan and consequently to the ECP. An outline plan is then devised for the fourth year. Hence, the sequence of EOP's rolls forward year-by-year, based on achievement and future projections.

3.3 The EOP is an essential tool for the day-to-day management of the estate. It will contain detailed technical and management material of primary interest to estate managers. At the same time it provides the opportunity for all managers to review the success in meeting the ECP and the effect on the rationalisation process and thus the service provision.

3.4 The Plan will include details of the resource requirements for all capital assets. Capital assets are defined in Appendix 1. It will include costs and manpower requirements associated with both the fulfilment of the ECP and maintenance of the condition of the estate. Thus, the EOP provides a comprehensive measure against which the estate condition and the progress in rationalisation can be judged.

4. *Asset Management*

4.1 Asset management is concerned with the whole life cycle cost of capital asset ownership. Healthcare buildings are intensively used and suffer a commensurate level of wear and tear in addition to the deterioration. The assets must be kept in a condition which reflects their function, age, utilisation and expected life. It is, therefore, essential for estate managers to have a systematic, planned approach to management of their physical assets.

4.2 Asset management has four inter-related aims:

i to safeguard the long term interests of assets

ii to fulfil the safety and statutory requirements associated with an asset

iii to meet the users' expectations and requirements

iv to formulate a replacement and up-grading policy for an asset.

4.3 To achieve effective management of capital assets the first stage is to ensure that there is a comprehensive asset register. Each asset should have an 'owner' or a manager responsible for it. Use of WIMS will allow a full technical and financial history to be available for each asset.

4.4 The estate has both a short and long term role. The prime concern of the clients or the users of the assets is that the service or equipment should function when it is needed. The assets should

therefore be brought up to, and sustained in, a reasonable condition which reflects their use, function and expected life. This, together with the safety and statutory obligations, is an overhead of owning an asset and remains the responsibility of the estate manager.

4.5 Principles of resource management may easily be extended to asset ownership. The users' defined needs and replacement policies can be funded from their budgets and can be under their control. The introduction of capital asset accounting and capital credits will facilitate this approach.

4.6 The natural extension of considering estate expenditure as a combination of a service overhead and client options is the definition of a "contract" between the user and the estate manager. Both parties would then be aware of their objectives and the resource implications. In defining this "contract" it will be, initially, for the client to answer the question:

> How severely will the patient service be directly or indirectly affected if this asset is not available for immediate use?

4.7 The response should be categorised into three priorities:

i patient service will severely suffer (Priority 1)

ii patient service will not be ideal, but the service can be effectively maintained in other ways (Priority 2)

iii no real effect on patient service (Priority 3).

4.8 Starting with Priority 1 assets and considering their condition, utilisation, and expected life, it will now be possible to devise maintenance policies. Financial and manpower resources should be assigned to those policies. The ideal must be tailored to the realistic. In many instances, this will lead to a "mend when broken" service on Priority 3 assets. The maintenance policy should ensure that all assets are kept in a safe condition.

4.9 In addition to the maintenance policies outlined above, an overall strategy for replacement and upgrade should be included.

4.10 The elements of maintenance and replacement will form the basis of the "contract" between the client and the estate manager. Should an Authority wish to test the competitiveness of the "contract", this will be easily achieved by seeking external tenders.

4.11 Asset management should be regarded as a multi-disciplinary activity in which, the user, the estate manager and the finance manager have complementary roles. The healthcare needs must be paramount in the process. Perfection is costly, and over-provision or maintenance of one asset may be at the expense of another. It is a joint role of the user and estate manager to determine the levels and standards of service.

4.12 Listed Buildings present special problems. All alteration work to Listed Buildings or buildings within the curtilage of a Listed Building, requires Listed Building Consent. Repairs, which do not affect the appearance, character or material composition of a Listed Building, do not require any such Consent.

4.13 Applications for Listed Building Consent should be made to the Local Authority Planning Department who have delegated powers to determine the application for Grade II Listed Buildings. In other cases the local authority make an initial assessment and forward a recommendation to the Secretary of State for the Environment for a decision.

4.14 The process may take up to 3 months and should be reflected in the EOP. An Authority can appeal against a refusal. The appeals procedure is similar to that for Planning Applications.

5. *Management of Closure*

5.1 The life expectancies of the various capital assets range from two to over 100 years. The ECP (*Stage 6*) will identify those buildings which are to close either for a major upgrade or for disposal. It is unlikely that all the assets within that building will have the same remaining life.

5.2 The management of the closure will need particular attention. The aim must be to identify those assets which may be re-used elsewhere. These will require a normal maintenance service as identified in Section 4. Where possible, other assets should be allowed to deteriorate progressively so that their condition at closure is only sufficient for them to function safely.

5.3 Replacement policies and many maintenance items (such as re-decoration) will be cancelled. The risk of premature failure against over-maintenance of a redundant asset must be balanced. In the event of a major failure, prior to the planned closure date, the closure programme should be reviewed.

6. *Preparation*

6.1 Estate managers should formulate the EOP for the activities which meet the strategy defined in the ECP as well as fulfilling the user requirements and ensuring economy of resource use. The policy should aim to optimise the total life cycle cost of estate assets. Due consideration should be given to the contribution of an individual asset to the healthcare function, its condition, utilisation and life expectancy. Hence, the life cycle cost should be minimised only within the constraints imposed by the needs of healthcare provision.

6.2 Figures 1 and 1a give a method of presenting the information. This format will allow budgeting and monitoring to be performed by each stage of a scheme. Also it will show the intended effect on the estate. Aggregation of costs for each of the stages and schemes will allow a comparison to be made with the estate investment plans. The system is compatible with the current resource management and asset accounting initiatives, and, therefore, can be readily integrated with the accounting processes adopted by the Authority as a whole.

7. *Monitoring and Feedback*

7.1 The EOP will keep senior management continuously and systematically aware of activity, problems and achievement in the estate sector. The feedback generated by the implementation of the plan will assist in bringing about a more informed estate management process.

7.2 It will be possible to monitor the success in achieving the target of reducing the property overhead, while improving the overall estate. Similarly, by monitoring progress there will be positive links back to the operational policies of individual departments. As a consequence, this stage will effectively provide the foundation for the quality assurance process associated with design, and will support objective performance analysis of those design policies in practice.

7.3 Lastly, the change in capital asset value during the year of the firm EOP, when compared to the consumed resources, is an important measure. An Authority will be able to identify where consumption has led to a disproportionate change in asset value. Subsequent analysis and comparison with the EIP will show if the EOP was unrealistic or if the estate management performance was below expectation. Both events may occur for reasons beyond the control of the Authority but may have a profound effect on the realisation of their strategic plan.

Definition of Capital Assets

The definition of capital assets has evolved from the joint study by Financial Directors and Estate Managers into asset accounting techniques. The intention is that only one asset register or inventory should be held by an Authority and that it should be structured to meet all management information requirements.

An asset is a physical entity which is durable, ie will be owned, used and/or managed by an Authority for more than one year. In addition it will fall into one of the following categories:

i a single item with a replacement value of £1,000 or more

ii a system which serves one Management Unit, Service Point or Budget Holder with a replacement value of £1,000 or more

iii a single item or system which is of prime importance, either directly or indirectly, to the provision of patient care

iv a single item or system with safety or statutory obligations.

Seven Stages of Estate Management

Stage 1	The provision of an Estate Data Base
Stage 2	Performance Analysis
Stage 3	Rationalisation
Stage 4	Evaluation of Alternative Strategies for the Estate
Stage 5	The preparation of an Estate Investment Programme
Stage 6	The preparation of an Estate Control Plan
Stage 7	The Estate Operational Plan

Figure 1

SITE REF No.	SITE NAME	HEATH AUTHORITY	SOURCE DISTRICT ESTATES OFFICER	SITE ESTATE INVESTMENT SCHEME
			DOCUMENT NUMBER	
			REVISION	
			ISSUE DATE	ESTATECODE REF.

BIDS IN PRIORITY ORDER								ESTIMATED COST £000's					TIMINGS					INTENDED EFFECT ON ESTATE												
SCHEME & STAGE REFERENCE No.			HEALTH CARE PROGRAMME		PRIORITY	SCHEME & STAGE	SOURCE OF FINANCE	YEAR 0	YEAR 1	YEAR 2	FUTURE YEARS	TOTAL	STAGE REACHED	NEXT STAGE	START	MONTHS	OPERATING DATE	FUNCTIONAL UNITS	AREA M²	FUNCTIONAL SUITABILITY	UTILITY	ENERGY	STATUTORY REQUIREMENTS	CONDITION	AVERAGE LIFE	MAINTENANCE (£)	ENERGY (GJ)	PROPERTY OVERHEADS	RATES	COST TO 'B'
BLOCK REF	JOB No.	STAGE No.	MAIN	SUB																										
ALL FIGURES IN £000's AT 19 PRICE LEVELS						TOTAL TO SUMMARY																								

Figure 1a (example)

SITE REF No.	SITE NAME	HEATH AUTHORITY	SOURCE DISTRICT ESTATES OFFICER	SITE ESTATE INVESTMENT SCHEME
A/01/99	ASCOT	MEREWORTH	DOCUMENT NUMBER / REVISION / ISSUE DATE 0 1 0 6 1 9 8 8	ESTATECODE REF.

BIDS IN PRIORITY ORDER								ESTIMATED COST £000's					TIMINGS					INTENDED EFFECT ON ESTATE												
SCHEME & STAGE REFERENCE No			HEALTH CARE PROGRAMME		PRIORITY	SCHEME & STAGE	SOURCE OF FINANCE	YEAR 0	YEAR 1	YEAR 2	FUTURE YEARS	TOTAL	STAGE REACHED	NEXT STAGE	START	MONTHS	OPERATING DATE	FUNCTIONAL UNITS	AREA M²	FUNCTIONAL SUITABILITY	UTILITY	ENERGY	STATUTORY REQUIREMENTS	CONDITION	AVERAGE LIFE	MAINTENANCE (£)	ENERGY (GJ)	PROPERTY OVERHEADS	RATES	COST TO 'B'
BLOCK REF	JOB No.	STAGE No.	MAIN	SUB																										
30	975	01	ACUTE	YPD	1	DEVELOPMENT UNIT ENABLING WORKS	MAJOR	10				10																		
30	975	02	ACUTE	YPD	1	CONSTRUCTION	MAJOR		175			175								A										
32	981	01	ACUTE		1	PHASE 3 - WARD/ PATHOLOGY DESIGN	MAJOR		400			400			JULY 89															
32	981	02	ACUTE		1	PHASE 3 - CONSTRUCTION	MAJOR			2000	1000	3000			APRIL 90					A										
32	981	03	ACUTE		1	PHASE 3 - UPGRADE PATHOLOGY	BROKERAGE				1600	1600			APRIL 91					C→B										
ETC.	ETC.																													
ALL FIGURES IN £000's AT 1987 PRICE LEVELS						TOTAL TO SUMMARY																								

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